

Dubai Board Meeting

February 2015

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service and security

The Standard



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The club board, and the boards of its principal subsidiaries, met in Dubai on 27 January 2015. The club's class General Meetings were held on the same day. On the previous day, meetings of the board's three committees – Nomination and Governance, Strategy, and Audit and Risk – took place. We report on these below.

The club's strategy and business plan

The board and its strategy committee reviewed the club's updated strategy and business plan, which reflects the strategy committee's discussion in October 2014 on the club's strategic position and direction. The board confirmed the club's focus on providing broad, good-value, sustainable, flexible P&I insurance and related covers, with excellent financial security and market-leading service. The board agreed a continued emphasis on the operating quality of current and potential members, and selected a set of high-priority projects for 2015 and beyond. Three of these projects – covering the Standard Syndicate at Lloyd's, the approach to risk selection and loss prevention, and the claims cost and efficiency project – were reviewed in detail by the board, and are covered below.

The Standard Syndicate at Lloyd's (Syndicate 1884)

Consistent with the club's strategy, the board decided in 2014 to establish a new marine and energy syndicate at Lloyd's, in order to expand the range of covers available to meet members' needs. At the Dubai board meeting, the board reviewed the progress of this important project.

Following approval in principle from the Lloyd's Franchise Board in September 2014, the focus has been on putting the infrastructure, processes and team in place, and on engaging with both regulators and potential capital providers. Progress

has been positive and we are working towards an April launch, subject to regulatory approval. In the near future, the club will approach members to discuss opportunities for Syndicate 1884 to complement members' existing arrangements.

Risk selection and loss prevention

One of the club's priority projects is a review of the club's risk selection and loss prevention processes. This project aims to support the club's emphasis on operating quality, by ensuring that the club underwrites appropriate vessels and members, by reflecting risk factors in pricing, and by taking prompt action when issues are identified, in order to minimise losses to members and to the club.

A series of proposed new tools and processes were presented to the board. These include revised approaches to the club's Safety and Loss Advisory Committee, which comprises technical and operational experts from the membership, and to the club's unique programme of Member and Ship Risk Reviews. The club is also implementing a new Risk Assessment Tool to be used by underwriters when assessing the risk profile of vessels prior to attachment. The board supported the proposed measures, and endorsed a robust approach to members that bring unacceptable risks to the club and to other members. A forthcoming edition of the Standard Bulletin: Loss Prevention methodology will explain these initiatives in more detail.

Claims cost and efficiency – lawyer billing rates

The club is seeking to achieve efficiencies in all areas, where it can do so without impacting the service to its members. The board considered an important initiative to reduce legal spend, which represents c.10-15% of total claims costs. Under this initiative, the club has negotiated improved billing terms and structures with a selection of leading legal advisers in the UK and US. Members requiring legal support from a UK or US law firm will be asked to use one of a set of “approved” firms, in order to access highly competitive billing rates without compromising on the quality of advice and support received. The board endorsed the approach, and requests the support of all members in this important area. Further information on this important initiative can be found in our *Standard Bulletin: Claims Methodology*, published in February 2015.

Discretionary claims

A flexible approach to paying claims is an important element of the club’s proposition to its members. In support of this, the board considers claims that fall outside the core cover provided by the club, which can be covered if the board exercises its discretion to reimburse the member. Each claim is reviewed in detail to understand the specific circumstances, and to assess whether the costs should be within the scope of the club’s cover. At the January board meeting, one such claim was considered, and the board decided to support the claim in full.

Financial performance

The board reviewed the current financial position, the 2014/15 financial year performance and the financial plan for future years. The current forecast is for the reserves at year end to be similar to the level at the beginning of this financial year. A small underwriting deficit, and the club’s share of the

Syndicate 1884 and Managing Agent setup costs, are expected to be offset by the investment returns forecast for the year. The club’s finances remain strong, and reserves are expected to return to growth in 2015/16 and beyond.

Conditions for investments remain challenging, with substantial volatility across many asset classes and currencies, and an uncertain macro-economic outlook. As a result, the club’s portfolio is positioned defensively. The club’s investment performance was slightly below the club’s benchmark in the period from 20 February to 20 December. However, the club’s investment track record over the medium term remains in the top quartile of the IG clubs.

The board agreed that there would be no further calls on any policy year for all classes. The club has now not made a supplementary call for 23 years. Release calls are being maintained at their current level, which is low relative to other clubs, reflecting the board’s confidence in the club’s financial position and in its appeal to members.

Renewal

The board received an update on the club’s renewal, which is progressing according to the approach agreed by the board and announced to members in December. For the P&I class, a general increase of 5% was announced, with a 10% increase in deductibles, and with deductibles applied to fees. Greater increases in either rates or deductible (or both) are proposed for the minority of members with claims and exposure that are out of line with their premiums. The club anticipates a slight reduction in tonnage at renewal, due to the non-renewal of members with poor records or elevated risk profiles. The club expects to pick up volume throughout the forthcoming policy year to make up this reduction at renewal, as was the case during the 2014/15 policy year.



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